

## NOTES TO THE FINANCIAL STATEMENTS ( For the six months ended 30 June 2003)

### 1. CORPORATE INFORMATION

The Company was incorporated on 20 May 1992 as an exempted company in the Cayman Islands with limited liability. The Company was listed on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) on 18 June 1992. The Company obtained a secondary listing on the London Stock Exchange on 23 November 1994.

The principal place of business of the Company is located at 15/F., Citibank Tower, 3 Garden Road, Hong Kong.

During the period, the Company was involved in investing in companies with significant business involvement in the People's Republic of China.

The Company continues to realise all of its existing investments, in an orderly manner, and to distribute the funds realised to the shareholders. On 5 September 2001, the Board of Directors (the “Board”) resolved to take steps to wind up the Company. Further details of this decision and the basis of presentation adopted in preparing these interim financial statements are set out in note 2 below.

### 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of presentation

The condensed interim financial statements have been prepared in accordance with the requirements of the Main Board Listing Rules of the Stock Exchange and SSAP 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

Pursuant to the Board meeting held on 5 September 2001, at which it was decided to wind up the Company as soon as practical, the Board has been taking steps to achieve this since then. Accordingly, the financial statements have been prepared on the net realisation basis since the year ended 31 December 2001, with all assets and liabilities being classified as current assets and liabilities.

The financial information relating to the financial year ended 31 December 2002 included in this interim financial report does not constitute the Company's statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 31 December 2002 are available from the Company's principal place of business. The auditors have expressed an unqualified opinion on those accounts in their report dated 12 March 2003.

The notes on the interim financial report include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the 2002 annual accounts.

#### Impact of a revised SSAP

The revised SSAP 12 “Income taxes” has been adopted for the first time in the preparation of these interim financial statements.

SSAP 12 (Revised) prescribes the accounting treatment and disclosure for income taxes. The principal impact of the revision of this SSAP is that the deferred taxation is calculated on temporary differences under the balance sheet liability method, rather than on all material timing differences between the accounting and tax treatment of income and expenditure under income statement approach as previously adopted. This SSAP has had no significant impact on these interim financial statements.

The accounting policies and methods of computation adopted in the 2002 annual accounts have been consistently applied to the interim financial statements.

**NOTES TO THE FINANCIAL STATEMENTS** (continued)**Dividends**

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends are approved by the shareholders and declared they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's articles of association grant the directors authority to declare interim dividends. Consequently, interim dividends are recognised as a liability when they are proposed and declared.

**Related party transaction**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

**3. SEGMENT INFORMATION**

During the period, the Company was principally involved in investing in companies with significant business involvement in the People's Republic of China. Accordingly, no analysis of segmental information by principal activity is presented.

An analysis of the Company's revenue and assets by geographical area of the operations of the investee companies for the financial period is as follows:-

	Six months ended 30 June	
	2003	2002
	(unaudited)	(unaudited)
	US\$	US\$
<b>Gross revenue:</b>		
The People's Republic of China .....	5,484	14,364
Elsewhere .....	11,109	2,799
	16,593	17,163
<b>Segment assets:</b>		
The People's Republic of China .....	5,994,574	6,202,430
Elsewhere .....	3,059,818	626,453
	9,054,392	6,828,883

The directors consider that it is not practical to analyse the operating expenses by the geographical area of the operations of the investee companies and accordingly, no analysis of loss before tax by geographical area of the operations of the investee companies is presented.

**NOTES TO THE FINANCIAL STATEMENTS** (continued)**4. LOSS BEFORE TAX**

The Company's loss before tax is arrived at after charging:

	Six months ended 30 June	
	2003	2002
	(unaudited)	(unaudited)
	US\$	US\$
Auditors' remuneration .....	4,500	4,500
Directors' remuneration .....	33,880	42,378
Exchange losses, net .....	5,088	6,985

The Company had no staff costs other than directors' remuneration during the period (six months ended 30 June 2002: Nil).

**5. TAX**

Under the current laws of the Cayman Islands, the Company is not required to pay any taxes in the Cayman Islands on either income or capital gains. The Company has received an undertaking from the Governor in Council of the Cayman Islands pursuant to the provisions of Section 6 of the Tax Concessions Law (Revised), which exempts the Company from any such tax at least until the year 2012.

No provision for Hong Kong profits tax has been made for the period as the Company did not generate any assessable profits in Hong Kong during the period (six months ended 30 June 2002: Nil).

No deferred tax has been provided as there were no significant timing differences at 30 June 2003 (30 June 2002: Nil).

**6. DIVIDENDS**

On 17 June 2002 and 4 November 2002, the Company's shareholders approved a special dividend comprising the distribution in specie of the Company's investment in A-S China Plumbing Products Limited ("ASPPL") on a basis of two ASPPL shares for every five Company's shares to the Company's shareholders. This distribution in specie was contingent upon the approval of the Growth Enterprise Market ("GEM") listing committee of the Stock Exchange for the listing of the shares of ASPPL on GEM, and the completion of a reorganisation of the capital of ASPPL.

On 19 June 2003, the directors announced that the conditions of the proposed distribution in specie of shares in ASPPL had been satisfied in full. Accordingly, the distribution in specie of the Company's investment in ASPPL was made based on its then carrying value, which was the estimated fair value determined by the directors having regard to information known to them and to conditions existing at that date. Subsequent to the interim reporting date of 30 June 2003, ASPPL was listed by way of introduction on the GEM on 11 July 2003.

**NOTES TO THE FINANCIAL STATEMENTS** (continued)

	Six months ended 30 June	
	2003	2002
	(unaudited)	(unaudited)
	US\$	US\$
Special interim - US\$0.1429 per ordinary share (six months ended 30 June 2002 : Nil)	3,482,073	–

Subsequent to the interim reporting date, on 3 September 2003, the directors have declared a second special interim dividend of US\$0.18 per ordinary share payable on 6 October 2003 to shareholders whose names appear on the Company's Register of Members on 25 September 2003. This interim dividend has not been recognised as a liability at 30 June 2003.

**7. LOSS PER SHARE**

The calculation of basic loss per share is based on the net loss for the period from ordinary activities attributable to the shareholders of US\$209,635 (six months ended 30 June 2002: net loss of US\$76,194) and on the weighted average number of 24,374,813 (six months ended 30 June 2002: 24,375,680) ordinary shares in issue during the period.

Diluted loss per share has not been presented as no diluting events existed during either period.

**8. CREDITORS**

All amounts payable to the creditors are aged within one month (31 December 2002: one month).

**9. NET ASSET VALUE PER SHARE**

The calculation of the net asset value per share is based on net assets of US\$3,337,744 (31 December 2002: US\$7,029,452) and 24,374,813 (31 December 2002: 24,374,813) ordinary shares in issue at 30 June 2003.

**10. COMPARATIVE AMOUNTS**

Certain comparative amounts have been reclassified to conform with the current period's presentation.